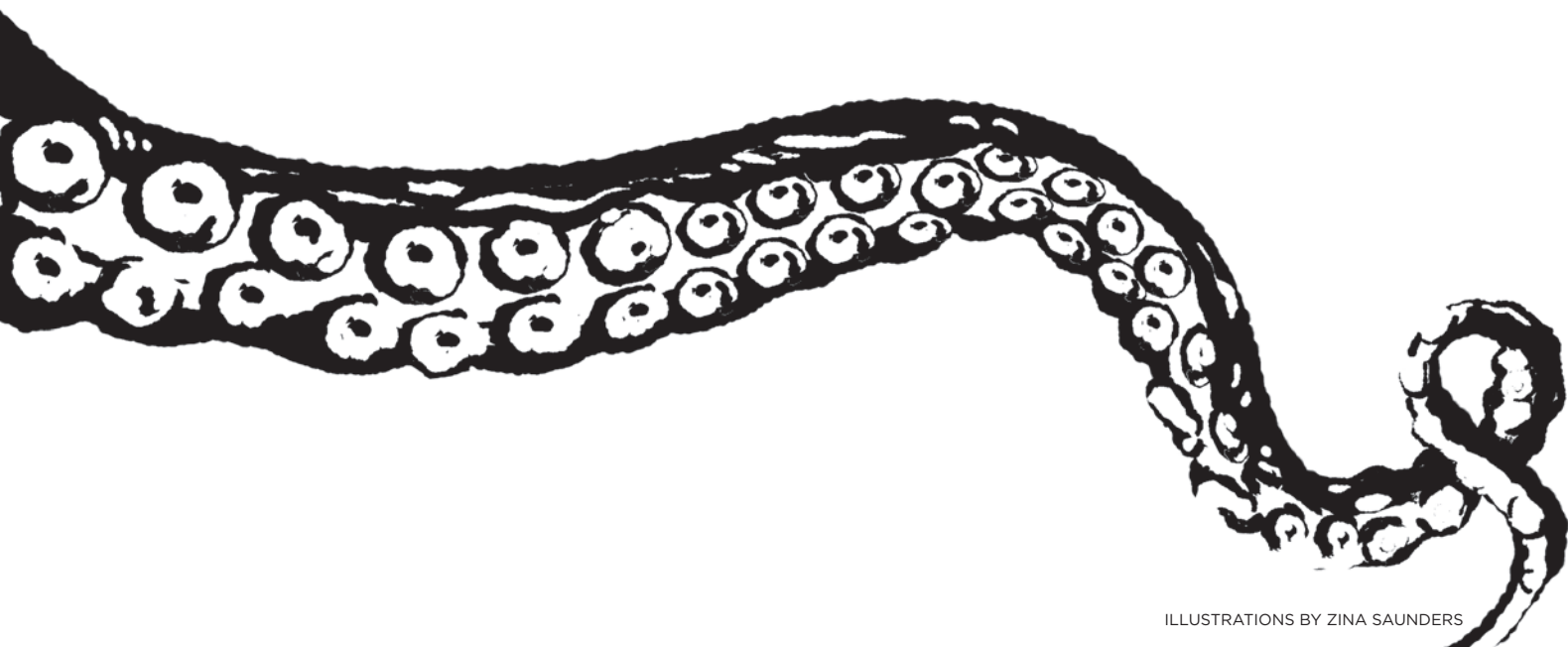


The Koch Cartel:

Their Reach, Their Reactionary Agenda, and Their Record

You'd have to spend \$113.4 million a day, every day for an entire year, to spend down the net worth of just one of the infamous Koch brothers, Charles and David.

Just one half hour at that rate is more than most Americans make in an entire lifetime of work.



ILLUSTRATIONS BY ZINA SAUNDERS

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For those who consider themselves exceptionally talented, lucky, or good looking, \$113 million is more in a day than movie star Leonardo DiCaprio made as the highest paid Hollywood actor last year.

With that amount, you could buy 4,500 Ford F-150 pick-up trucks every day, but where would you park them?

Or with two or three days pay at that rate, you could try to buy the White House.

And the majority in Congress.

And, to cover all your bases, buy access to judges by subsidizing exclusive trips to fancy resorts to persuade them of your point of view.

But that wouldn't even make a dent in your net worth, if you were a Koch.

Fortunately for the Koch brothers, it costs far less to underwrite the remaking of our political and judicial system to reflect their deeply distorted view of America than to spend even a week

of their combined
net worth of
\$82.8 billion.

Unfortunately, political propaganda is a relatively cheap commodity—far cheaper than the oil and gas, paper and plastics, and fertilizer and futures that their company, Koch Industries, sells.

Last year, its estimated revenues were \$115,000,000,000.

That's more revenue than many of the "Too Big to Fail" firms made,

such as JPMorgan Chase, Bank of America, Wells Fargo, or Goldman Sachs. Only Exxon and a few other global firms made more money.

One hundred and fifteen billion dollars is more than the annual sales of all the Pepsi and Coke products in every grocery store, fast food joint, restaurant, and bar worldwide.

Together, Charles and David own more than 80 percent of the stock in their global megacorporation, which is the second richest privately held company in the United States.

That's why they're currently tied for sixth place among the richest people on our entire planet.

Five other guys on this globe have accumulated more than them, but combining the Kochs' wealth would make them co-kings, the very richest, perhaps, in the history of the world. Plus, unlike Bill Gates and Warren Buffett, who each have more, Charles and David are a two-headed monster in their vast business, political, and ideological ambitions.

Forget the 1 percent.

The Koch brothers are the .00000002 percent. That's seven zeroes. Their wealth is almost unimaginable. Nearly everyone else living today is the 99.99999998 percent.

And, as it turns out, influencing politicians and judges doesn't cost that much when you're a multibillionaire. It costs about as much to personally fuel the core groups in their rightwing infrastructure for a year as it costs David Koch to donate an entire building or two, like an opulent theater to support the performing arts.

In giant letters, David Koch's name is engraved above the "New York City

Ballet and the New York City Opera." If we're not careful, his name and his brother's will be engraved in larger lettering above the United States of America, although it would be a very different version of our country.

What /s the Matter with Kansas?

"It was only in the past decade that I realized the need to also engage in the political process," Charles Koch wrote in *The Wall Street Journal* this spring.

That's a lie.

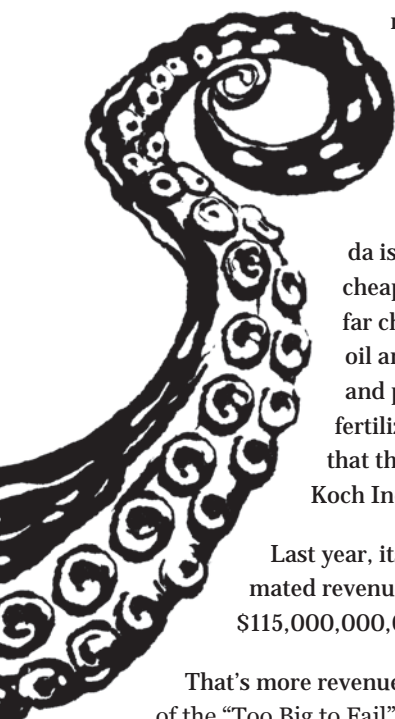
His engagement in the political process was not born yesterday or even ten years ago.

In 1961, at the age of twenty-six, Charles moved home to Wichita, Kansas, to work for Rock Island Oil and Refining Company, which was led by his father, Fred Koch, who was on the national council of the John Birch Society. Charles subsequently opened a John Birch Society bookstore in Wichita with a friend of his father, Bob Love, the owner of the Love Box Company in Wichita, according to Dan Schulman's *Sons of Wichita*.

The John Birch Society's "American Opinion Bookstores" were stocked with material opposing the civil rights movement.

Birchers had put up billboards in Kansas and elsewhere calling for the impeachment of Earl Warren, the Chief Justice of the U.S. Supreme Court who had ordered the desegregation of the public schools in *Brown v. Board of Education of Topeka, Kansas*.

There's no indication that Fred or Charles objected to the Birch cam-



paign to impeach Warren.

There is no indication they objected when it ran ads in Dallas in 1963 with President John F. Kennedy's head depicted like two mug shot photos, with the word "Treason" below, shortly before the assassination of the President . . .

Or when it opposed the passage of the landmark Civil Rights Act of 1964, based on the Bircher claim that the movement was created as a forty-year front for the communists.

Or when it supported billboards calling Martin Luther King a communist.

None of these things was cited by Charles Koch and Bob Love in their resignation from the John Birch Society in 1968, according to correspondence with Robert Welch, who had launched the organization a decade earlier with Fred and a few other businessmen.

Oddly, it was Welch's "Win the War" strategy of signing up people to support the Vietnam War that caused the breakup between Charles Koch and the John Birch Society.

In 1968, Charles Koch bought a full-page ad, "Let's Get Out of Vietnam Now," based on the isolationism of a competing flank of the far right movement.

In his activism, Charles Koch encouraged his brother David to attend a retreat advancing that flank in the Rampart Mountain Range near Colorado Springs, Colorado, to learn at Robert LeFevre's all white Freedom School, as noted in *Sons of Wichita*. Charles joined the board of LeFevre's anti-union, anti-government operation and funded it.

Charles also gave public speeches

espousing the view that government's only proper role was to police the interference with the free market—an ideology that inherently rejects child labor laws, minimum wages or safety rules, the protection of union rights, and more. He began funding Baldy Harper's Institute for Humane Studies, which had been launched in 1961 and which Charles Koch now fully controls. It grooms students and professors who share his libertarian agenda.

In the early 1970s, Charles also created a foundation in his own name to push money to a kind of John Birch Society version 2.0, dubbed the Libertarian Society, to recruit acolytes to limit government power.

In 1976, Charles was raising money for the newly created Libertarian Party and hosted a political fundraiser for Roger MacBride, who was running for President that year, according to Schulman.

In 1977, Charles launched the libertarian "think tank" known as the Cato Institute, which began calling for the privatization of Social Security and other public institutions.

He also purchased the *Libertarian Review* and installed a true believer to run it. In the first major relaunch of the magazine, he joined in its call for a "Second American Revolution."

Most of this Koch spending was unknown to the left, which did not invent the word "Kochtopus." The truth is that by 1980 so much Charles Koch money was funding so many right-wing operations that it was a fellow Libertarian, Sam Konkin, who came up with that moniker, as noted in Brian Doherty's *Radicals for Capitalism*.

In 1979, Charles was asked to run for the White House on the Libertarian

ticket but declined, Schulman wrote, but he did convince his brother David to run for Vice President instead. Due to a loophole in campaign finance laws, David could give an unlimited amount of his own money to the campaign, which made the party seem larger than it was. David pledged a half million and spent more.

He ran to the right of Ronald Reagan and called for the privatization of Social Security and schools.

He was rejected by almost 99 percent of the Americans who voted in that election.

Shortly after that loss, which was the best showing the Libertarian Party had, the Kochs broke with the party and began investing more in operations to influence the Republicans.

It was Koch money that founded a Washington, D.C.-based group called Citizens for a Sound Economy and its related foundation, with Richard Fink at the helm.

Fink, a rightwing economist and academic, soon received an appointment to President Ronald Reagan's Commission on Privatization. Through Fink, the Kochs helped create a blueprint for the binge to privatize government that followed. He's now a VP at Koch Industries and helps with their political ambitions.

After the Wall Street crash of 1987, while many called for stronger regulation of the stock market to protect the economy, Citizens for a Sound Economy called for the opposite. It pushed for the elimination of the Glass-Steagall wall of protection between federally insured banks and investing, which it eventually won during the Clinton Administration. (Fink, by the way, was also a member of the Democratic Leadership Council,

which heavily influenced some, but not all, of Bill Clinton's policies.)

In 1993, in a playbook that may sound familiar, their Citizens for a Sound Economy crushed President Clinton's proposed tax on carbon to help fund alternative energy and reduce what were then called "greenhouse gases." Koch money helped spearhead the political defeat of the BTU tax, although other corporations had been recruited to help fund the group's operations beyond the Kochs.

In 1994, Citizens for a Sound Economy also helped take down the Clintons' efforts to reform health care, funding an array of activities to defeat it.

It was in 1996, however, when the Kochs were first poised to influence election outcomes big time.

Senator Bob Dole, a Kansas native whose political career Koch money helped fund, was running for President.

But their eyes were not only on the White House; they were also on securing seats in Congress. "Koch-linked contributions of 'hard money'—gifts of more than \$200 by identifiable individuals or political action committees divulged to the FEC—to the state's four representatives and two Senators totaled \$130,600," reported the *Lawrence Journal-World*, noting contributions to Sam Brownback, Todd Tiahrt, Jim Ryun, and others.

But there was more, according to a Senate Judiciary Committee investigation.

Senate Democrats had stumbled upon a political campaign operation called Triad and sent deposition subpoena letters to people involved. The potential witnesses refused to appear

or answer questions. The Republican chairman of the Senate Judiciary Committee, Fred Thompson, refused to enforce the subpoenas and shut down the investigation.

As committee staffer Beth Stein told Bill Moyers back then, "One of the things that Triad did was set up two shell corporations, essentially, tax-exempt organizations. One was called Citizens for Reform and the other was called Citizens for the Republic Education Fund, and the sole thing that those corporations did was to air attack advertising in various races across the country.

"Triad's groups were essentially shells. They had no existence, they had no purpose, they had no staff, they had no office," she continued.

The Senate Democrats suggested it was a scheme that "allowed wealthy individuals to put more money into the election process than they would otherwise legally have been allowed to do." They alleged it evaded reporting requirements designed to ensure that Americans know who is spending money, and how much, to influence who wins political office and therefore who writes the laws that govern us.

Triad was funded by "the Economic Education Trust [which] basically shopped for organizations to run money through in an effort to keep its existence hidden," Stein said.

Months after the Senate Judiciary Committee's investigation ended, the Minneapolis *Star Tribune* reported that "Koch Industries Inc. backed a secret trust that donated \$1.8 million in 1996 to finance issue ads sympathetic to conservative Congressional candidates, [lending] new credence to

the conclusion last year of Senate Democratic investigators that Koch's owners, Charles and David Koch, were probably the financiers behind the trust that contributed to at least two nonprofit groups."

If this sounds familiar, you've been paying attention to news about the "dark money" that flooded the 2012 election.

It was not until late 2013 that news broke of an operation called Freedom Partners. Almost a year after the election results came in, the public learned that Freedom Partners had dropped nearly \$250 million during the 2012 election cycle on nonprofit groups, many of which ran "issue ads." That amount rivaled Karl Rove's dark money fundraising.

No one knows how much of the nearly \$250 million came from the Kochs themselves, but Freedom Partners is stocked with Koch operatives.

Freedom Partners is like Triad on steroids.

It was created in the aftermath of the *Citizens United* decision, when five justices on the U.S. Supreme



Court struck down parts of the Bipartisan Campaign Reform Act (McCain-Feingold).

That law was written to limit loopholes in campaign finance laws that had allowed groups like Triad to influence elections and public policy but that, in the words of Bill Moyers, do so in ways that “leave no footprints and no fingerprints.”

As Lee Fang has extensively reported, the Koch brothers have recruited billionaires and multimillionaires to attend their donor soirees in Aspen and Palm Springs to raise millions for things like Freedom Partners. The events have even included Supreme Court Justices Clarence Thomas and Antonin Scalia—two of the justices in the five-judge majority in *Citizens United*.

Although the Kochs could fund the entire operation out of their own checkbooks, adding other donors gives them deniability that any criticized

group’s activities were directly funded by them.

It also saves them money and broadens their influence.

With the untold sum they spent or raised for these operations, the Kochs were reportedly deeply disappointed they did not get the election results they wanted in 2012 from this spending, after they backed Mitt Romney, according to *Politico*’s Ken Vogel.

They had greater success in some other races that year. A big chunk of the Freedom Partners money was pushed into the Citizens for a Sound Economy’s successor group called Americans for Prosperity, which is led by David Koch as chairman and run by political strategist Tim Phillips.

It was instrumental in thwarting the 2012 recall of controversial Wisconsin Governor Scott Walker. Americans for Prosperity spent at least \$10 million in the run-up to the 2012 recall election without disclosing who

actually funded so-called issue ads and other activities to influence the election.

Big money also found its way to a former Congressional staffer named Sean Noble, who was the point person for a Triad-like entity operating out of a P.O. box in Arizona called the Center to Protect Patient Rights. He helped funnel more than \$182 million over three years to other organizations, according to a Channel 12 News investigation in Arizona.

When the Charles Schwab was looking to

pour money into the elections, he contacted the Kochs, saying he was sending funds to “your man” Noble to put it in the right places.

The Center to Protect Patient Rights (which had previously been activated to spend millions in fighting the Obama Administration’s health care reform efforts) shuffled millions of dollars from undisclosed donors to groups trying to influence elections across the country in 2012.

Last year, the California state elections board fined Noble’s organization a million dollars for pushing money into California ballot measures without disclosing the true source of the funds.

Noble argued that the fine was an overreach, that he followed all laws, and that the investigation violated what he claims are the “First Amendment” rights of donors, whose identities he has refused to disclose. The California Fair Political Practices Commission responded that Noble “paid a record fine on behalf of the Koch network for a reason. It was the largest amount of undisclosed dark money in the history of California.” His newest operation is called American Encore.

Koch Industries denied any wrongdoing in connection with Noble’s activities.

Money from the Center to Protect Patient Rights also found its way to two groups in Wisconsin that are now embroiled in a criminal investigation in Wisconsin in the wake of the 2012 election.

One was the Wisconsin Club for Growth, which is closely tied to Eric O’Keefe, an ally of the Kochs dating back to their Libertarian Party days. O’Keefe also founded and funded a





thing
called
the Frank-
lin Center
for Gov-
ernment and
Public Integrity

and its watchdog.org website, which churns out “journalism” focused on key states.

The other Wisconsin group it funded was named Citizens for a Strong America, which itself was run through a UPS drop box by a young man whose day job was working for the Wisconsin arm of Americans for Prosperity.

A bipartisan group of prosecutors has searched the records of these groups in a current criminal investigation into whether they illegally coordinated with political campaigns. The Kochs are not a party to that litigation, although Americans for Prosperity was reportedly subpoenaed.

Americans for Prosperity is perhaps more widely known, however, for the infrastructure it provides for the Tea Party.

Despite David Koch’s claim to *The New Yorker’s* Jane Mayer that no one in the Tea Party had approached him, the evidence shows that his Ameri-

cans for Prosperity helped fuel it, if not ignite it.

One of the Kochs’ goals was to create a powerful political ground game, as David Koch described it for *The Weekly Standard*:

“What we needed was a sales force that participated in political campaigns or town hall meetings, in rallies, to communicate to the public at large much of the information that these think tanks were creating. . . . Almost like a door-to-door sales force that some of the cosmetics organizations have.”

Between Freedom Partners, Americans for Prosperity, the Tea Party, and numerous other groups and efforts they fund, it seems the Kochs have finally found a kind of John Birch Society 3.0 and the formula to sell their longstanding political agenda more effectively.

Does Their Political Agenda Benefit Them Personally, Too?

On the surface, the story of the Koch brothers sounds like an American success story, albeit one based on the head start of inheriting enough wealth to prime the pump for vaster sums.

Charles Koch became the president of his father’s company in 1966, and he became chairman of the board when his father died suddenly the following year, when Charles was thirty-two. He renamed the company Koch Industries.

Charles took a company valued at \$50 million, with annual revenues of just over \$100 million, and turned it into a global megacorporation with revenues

of more than \$115 billion a year today.

It’s not only the wealth of the company he runs with his brother David that has increased exponentially. The financial fortune of the two brothers controlling Koch has also exploded. Their personal wealth was estimated to be \$375 million each in 1984. Ten years later, it was \$1.5 billion apiece. Almost a decade after that: \$8 billion. By 2008, it was \$17 billion per brother.

Embodying the growing chasm between the fabulously wealthy and the worker bees, since the Wall Street meltdown of 2008, the Kochs’ riches have skyrocketed to more than \$41 billion each, while most Americans’ wages have stagnated and too many have lost their homes and jobs.

As part of the company’s global oil operations, Koch has been investing in Canadian tar sands since at least the 1980s in places like Cold Lake, although the company has claimed it has no direct interest in the Keystone XL Pipeline expansion. It’s spent decades getting petroleum out of Canada to U.S. refineries.

It also speculates in commodities, created new types of derivatives, and lobbied against Wall Street reforms in 2009.

It even created a financial product to hedge against weather extremes (that takes some of the risk out of the climate changes that groups funded by the Koch family fortune deny are happening).

Their business decisions have resulted in numerous complaints from environmental regulators and historic penalties under the Clean Air Act and the Clean Water Act. [See sidebar on their environmental impact.]

“You Know Us Better than You Think”

Although the Kochs represent a new brand of robber baron, their agenda is as old as greed.

One admirer of the Kochs who writes for *The Weekly Standard* has suggested that you owe almost all the comforts of modern life to them, such that “there is no escape”—you awake to lights powered by them, walk on carpet made by them, cook and drive with gas they provide or process, and wear cool gym clothes that they make possible. (You may even wipe with their Quilted Northern or Angel Soft brand toilet paper.)

You get the picture.

In that worldview, you owe them your gratitude, not your contempt. How dare you serfs grumble about the Kochs’ efforts to influence laws and lawmakers? Only a “collectivist” would complain about the Kochs’ free market agenda, as Charles Koch wrote

in an op-ed in *The Wall Street Journal* this spring.

But the Koch brothers may finally have met a worthy foe: the twenty-first century hive mind of Internet-empowered activists of all ages and backgrounds.

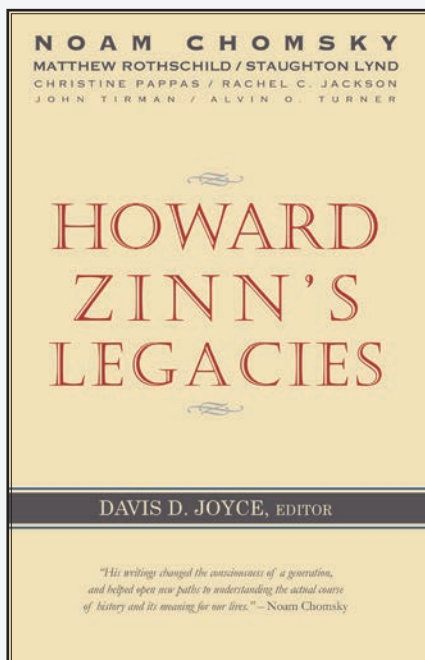
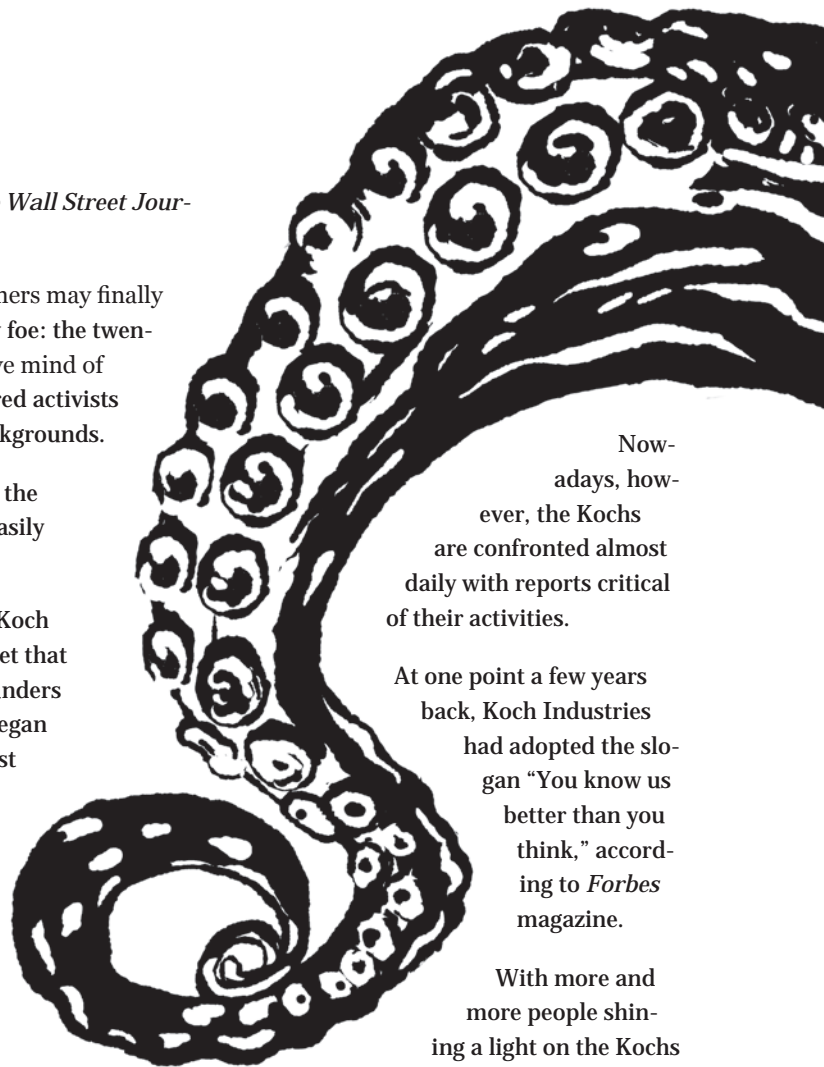
In this new world, the Kochs cannot so easily duck and weave.

Back in 1998, the Koch operation was upset that a group—whose funders were unknown—began running ads against the Kochs on TV in Kansas. Reps from Koch Industries contacted the news stations with threats to sue for libel, and ultimately the anti-Koch ads had only a limited run.

Nowadays, however, the Kochs are confronted almost daily with reports critical of their activities.

At one point a few years back, Koch Industries had adopted the slogan “You know us better than you think,” according to *Forbes* magazine.

With more and more people shining a light on the Kochs and rallying against what Charles and David are doing to America, their old slogan may finally be coming true. ♦



Zinn Lives!

*You'll love this impressive collection on the profound legacies of historian and activist Howard Zinn, who wrote an amazing column for *The Progressive* in the last dozen years of his life. The book, published by The Progressive, Inc., sells for \$18.95 in paper, or \$9.99 as an e-book, at Howardzinnslegacies.com and Amazon.*

Snapshot of the Koch Brothers' Environmental Impact

Over the years, Koch Industries has amassed a record of investigations and indictments, including some of the largest fines in U.S. history.

For instance, the Clinton Administration cited Koch Industries for 300 leaks between 1990 and 1997. Those leaks spilled three million gallons of oil into waterways in Alabama, Kansas, Louisiana, Missouri, Oklahoma, and Texas, according to the EPA. In 2000, Koch Industries agreed to pay \$35 million in penalties. This was “the largest civil fine ever imposed on a company under any federal environmental law,” the EPA announced.

This “landmark fine against Koch Industries for egregious violations of the Clean Water Act sends a strong message that those who try to profit from polluting our environment will pay the price,” said then-EPA head Carol M. Browner.

Charles Lewis, a reporter and the founder of the Center for Public Integrity, examined the Kochs’ record back in 1998, and opined: “The Kochs are on a whole different level. There’s no one else who has spent this much money. The sheer dimension of it is what sets them apart. . . . They have a pattern of lawbreaking, political manipulation, and obfuscation. I’ve been in Washington since Watergate, and I’ve never seen anything like it. They are the Standard Oil of our times.”

In some ways, the stakes now are much higher than 100 years ago because climate change threatens our very existence. The Kochs’ efforts to protect their industry from regulations to address climate change along with their influence on politicians are obstructing government action to protect our future.

One of the ways they’ve influenced energy policy, aside from federal lobbying, is through the American Legislative Exchange Council, known as ALEC. Since Charles and David Koch received ALEC’s top award in 1994, Koch Industries has had a seat and a vote on ALEC’s corporate board—which it has led—and has voted as equals with state legislators behind closed doors in ALEC task forces on bills to change Americans’ rights. The Kochs even helped bail out ALEC with a loan in the 1990s when its money waned.

ALEC has played a key role in urging state elected officials to help thwart efforts to address climate change, from opposing international agreements, to attacking the Environmental Protection Agency’s power, to urging the repeal of renewable energy standards and greenhouse gas agreements, and even trying to penalize people who use solar.

The Koch family fortune has also funded the Tax Foundation, the Foundation for Research on Economics and the Environment, the Heritage Foundation, and many more such groups, almost all of which seek in various ways to limit government power, particularly on environmental issues.

But that’s not all. In the midst of complaints against their corporation by the Environmental Protection Agency, in the 1990s the Kochs started funding educational seminars for judges—called “junkets” by critics—first through the University of Kansas and then consolidated through George Mason University, then a little-known school in Northern Virginia that their tens of millions of dollars helped grow. A George Mason operation closely tied to the Kochs, called the Mercatus Center, also hatched detailed plans for limiting the EPA, many of which were adopted by President George W. Bush.

As Greenpeace has documented extensively, the Kochs have been key funders along with Exxon of the climate denial machine that churns out disinformation through an array of so-called think tanks. Groups they control or bankroll have pushed politicians to pledge allegiance to “no carbon tax” to address the climate changes under way. Americans for Prosperity, for example, has launched P.R. campaigns like the “Hot Air Tour” and “We Stand with Coal.” With another group connected to the Kochs, called the American Energy Alliance, it also did a bus tour under the name EnergyforAmerica.org.

ALEC has toed the Koch climate “skeptic” line for both politicians and schoolchildren, and it launched a major campaign to stop what it calls “the EPA Train Wreck” to try to prevent new regulations on carbon.

This is just a snapshot of the multitude of groups forming an echo chamber around the climate issue that the Koch family fortune has helped amplify.

(The Progressive and the Center for Media and Democracy are launching a new resource to help track the Kochs called kochexposed.org.) ♦

—Lisa Graves